

Generally, medical tools, devices and equipment used for diagnostic, rehabilitative and treatment purposes do not qualify for the reduced rate of tax for medical appliances as such items, while being used for treatment of patients, are not directly substituting for a malfunctioning part of the body. See 86 Ill. Adm. Code 130.310(c). (This is a GIL)

February 27, 2002

Dear Xxxxx:

This letter is in response to your letter dated November 15, 2001. The nature of your letter and the information you have provided require that we respond with a General Information Letter, which is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See, 2 Ill. Adm. Code 1200.120 subsections (b) and (c), which can be found at <http://www.revenue.state.il.us/legalinformation/regs/part1200>.

In your letter, you have stated and made inquiry as follows:

AAA is a distributor of medical equipment and supplies, mainly to hospitals, medical centers and nursing homes.

The taxability at low rate of a few of our items is being questioned by one of our customers, whom is a taxable entity, and we are selling directly to them. AAA is presently taxing the items in question at the high rate. The following items are sold as individual units, disposable, fully assembled, packaged and are for single patient use. Items are numbered below, and on correlating page attached.

|     | <b>Item#</b> | <b>Description</b>                                       |
|-----|--------------|--|
| 1.  | ###          | Yankauer w/Bulb tip, sterile                             |
| 2.  | ###          | Yankauer w/Flanged Tip, Sterile                          |
| 3.  | ###          | I.V. Start Kits  |
| 4.  | ###          | Central Line Dressing Change Kits                        |
| 5.  | ###          | Matrix Elastic Bandage                                   |
| 6.  | ###          | Alcohol Prep Pads, non-sterile                           |
| 7.  | ###          | Povidone Iodine Scrub Brush                              |
| 8.  | ###          | Face Masks   |
| 9.  | ###          | Single Patient Use Limb Holder                           |
| 10. | ###          | C-Section Pack   |
| 11. | ###          | Open Heart Pack  |
| 12. | ###          | Dressing Change Tray                                     |
| 13. | ###          | Custom Eye Pack  |
| 14. | ###          | Cath Lab Tray  |
| 15. | ###          | Foley Insertion Trays w/o Catheter, w/Drain Bag, Sterile |
| 16. | ###          | Foley Tray w/Latex Catheter, Sterile                     |
| 17. | ###          | Urine Meter Foley Trays, Sterile                         |
| 18. | ###          | Contro-Bulb Syringe Irrigation Tray, Sterile             |
| 19. | ###          | Contro-Bulb Irrigation Syringes, Sterile                 |

20.   ###           Bulb Syringe (Feeding Syringe)
21.   ###           Tracheostomy Clean & Care Trays, Sterile
22.   ###           DeLee Suction Catheters w/Pop-up Cup and gloves, Sterile
23.   ###           Whistle Tip Suction Catheters w/ gloves in minitray, sterile
24.   ###           DeLee Suction Catheters w/gloves in minitray, sterile
25.   ###           Whistle-Tip Suction Catheters w/gloves & Saline, sterile
26.   ###           DeLee Suction Catheters w/gloves and saline, sterile

Please advise if the above items are subject to the high or low rate of sales tax. If you need any further product information, please contact me.

All gross receipts from sales of tangible personal property in Illinois are subject to Retailers' Occupation Tax unless an exemption is specifically provided. Medicines and medical appliances are not taxed at the normal rate of 6.25%. These items are taxed at a lower rate of 1%. Please see the enclosed copy of 86 Ill. Adm. Code 130.310. Items subject to this lower tax rate include prescription and nonprescription medicines, drugs, and medical appliances for human use.

A medical appliance is defined as an item intended by its manufacturer for use in directly substituting for a malfunctioning part of the body. Examples of items that qualify are artificial limbs, dental prostheses and orthodontic braces, crutches and orthopedic braces, wheelchairs, heart pacemakers, and dialysis machines. Corrective medical appliances such as hearing aids, eyeglasses and contact lenses are also examples of qualifying items. Generally, medical tools, devices and equipment used for diagnostic, rehabilitative and treatment purposes do not qualify for the reduced rate of tax for medical appliances as such items, while being used for the treatment of patients, are not directly substituting for a malfunctioning part of the body. See Section 130.310(c)(2) attached.

From the limited information provided in your letters to the Department, it appears that the medical items you have listed would not qualify as a medical appliance as defined by Ill. Adm. Code 130.310(c). The items you list appear to be tools, supplies, or equipment used for diagnostic purposes. These items do not directly replace a malfunctioning part of the body. As such, the products listed in your letters do not appear to qualify for the lower 1% tax rate.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at [www.revenue.state.il.us](http://www.revenue.state.il.us). If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of Section 1200.110(b).

Very truly yours,

Shane McCreery

By:

Jerilynn T. Gorden

Senior Counsel – Sales and Excise Taxes

SM:JTG:msk  
Enc.